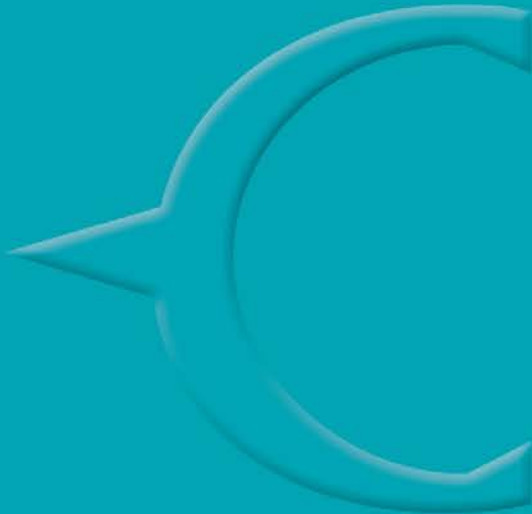




Santa Barbara County Employees' Retirement System

**GASB 67/68 Report
as of June 30, 2019**

Produced by Cheiron

November 2019

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November 20, 2019

Board of Retirement
Santa Barbara County Employees' Retirement System
3916 State Street, Suite 210
Santa Barbara, CA 93105

Dear Members of the Board:

The purpose of this report is to provide accounting and financial reporting information under GASB 67 for the Santa Barbara County Employees' Retirement System (SBCERS) and under GASB 68 for participating employers. This information includes:

- Determination of the discount rate as of June 30, 2019,
- Projection of SBCERS's Total Pension Liability from the valuation date to the measurement date,
- Note disclosures and required supplementary information under GASB 67 for SBCERS,
- Determination of collective amounts under GASB 68, and
- Schedules for the financial reporting of participating employers under GASB 68.

If you have any questions about the report or would like additional information, please let us know.

Sincerely,
Cheiron

A handwritten signature in blue ink that reads "Anne Harper".

Anne D. Harper, FSA, MAAA, EA
Principal Consulting Actuary

A handwritten signature in blue ink that reads "Graham Schmidt".

Graham A. Schmidt, ASA, FCA, MAAA, EA
Consulting Actuary

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

SECTION I – BOARD SUMMARY

The purpose of this report is to provide accounting and financial disclosure information under Governmental Accounting Standards Board Statements 67 and 68 for the Santa Barbara County Employees' Retirement System and the participating employers. This information includes:

- Determination of the discount rate as of June 30, 2019,
- Projection of SBCERS's Total Pension Liability from the valuation date to the measurement date,
- Note disclosures and required supplementary information under GASB 67 for SBCERS,
- Determination of collective amounts under GASB 68, and
- Schedules for the financial reporting of participating employers under GASB 68.

Highlights

The measurement date for the Santa Barbara County Employees' Retirement System (SBCERS) is June 30, 2019. Measurements are based on the fair value of assets as of June 30, 2019 and the Total Pension Liability as of the valuation date, June 30, 2018, updated to June 30, 2019.

To the best of our knowledge, there were no significant events between the valuation date and the measurement date so the update procedures only include the addition of service cost and interest cost offset by actual benefit payments.

The table below provides a summary of the key collective results during this measurement period.

Table I-1 Summary of Collective Results			
		Measurement Date	
		6/30/2019	6/30/2018
Net Pension Liability	\$	853,207,502	\$ 864,149,134
Deferred Outflows		(105,132,787)	(151,829,119)
Deferred Inflows		79,679,960	75,672,039
Net Impact on Statement of Net Position	\$	827,754,674	\$ 787,992,054
Pension Expense (\$ Amount)	\$	173,470,266	\$ 146,806,719
Pension Expense (% of Payroll)		48.81%	42.61%

The Net Pension Liability (NPL) decreased by approximately \$11 million since the prior measurement date. There were actuarial experience losses on the Total Pension Liability which were offset by investment income, reducing the NPL. The investment gains are recognized over

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

SECTION I – BOARD SUMMARY

five years, and the actuarial liability loss is recognized over the average remaining service life, which is also five years. Unrecognized amounts are reported as deferred inflows and deferred outflows.

As of the end of the reporting year, the participating employers in SBCERS would report a Net Pension Liability of \$853,207,502, collective Deferred Inflows of \$79,679,960, and collective Deferred Outflows of \$105,132,787. Consequently, the net impact on the aggregate of participating employers' Statements of Net Position due to SBCERS would be \$827,754,674 at the end of the measurement year. In addition, any contributions between the measurement date and each individual employer's reporting date would be reported as deferred outflows to offset the cash outflow reported.

For the measurement year ending June 30, 2019, the collective annual pension expense is \$173,470,266 or 48.81% of covered payroll. This amount is not related to participating employers' contributions to SBCERS (\$133,707,646), but instead represents the change in the net impact on participating employer's Statements of Net Position plus employer contributions (\$827,754,674 – \$787,992,054 + \$133,707,646).

The collective pension expense of \$173.5 million is about \$26.7 million more than the collective expense of \$146.8 million for the prior year. Volatility in pension expense from year to year is to be expected. It will largely be driven by investment gains or losses, but other changes can also have a significant impact. A breakdown of the components of the net pension expense is shown in the report on page 12.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

SECTION II – CERTIFICATION

The purpose of this report is to provide accounting and financial reporting information under GASB 67 for the Santa Barbara County Employees' Retirement System (SBCERS) and under GASB 68 for the employers that participate in SBCERS. This report is for the use of SBCERS, the participating employers, and their auditors in preparing financial reports in accordance with applicable law and accounting requirements. This report is not appropriate for other purposes, including the measurement of funding requirements for SBCERS.

In preparing our report, we relied on information (some oral and some written) supplied by SBCERS. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in plan provisions or applicable law.

This report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This report was prepared for SBCERS for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. Other users of this report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Anne D. Harper, FSA, MAAA, EA
Principal Consulting Actuary

Graham A. Schmidt, ASA, FCA, MAAA, EA
Consulting Actuary

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

SECTION III – DETERMINATION OF DISCOUNT RATE

The discount rate used to measure the Total Pension Liability was 7.00%.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the required rates. Employer contributions were assumed to be made in accordance with the contribution policy in effect for the June 30, 2018 actuarial valuation. That policy includes contributions equal to the actuarially determined contribution, reflecting a payment equal to annual Normal Cost, a portion of the expected Administrative Expenses, an amortization payment for the creation of Safety Plan 6 over a closed period (10 years remaining as of the June 30, 2018 actuarial valuation), and an amount necessary to amortize the Unfunded Actuarial Liability as of June 30, 2013 as a level percentage of payroll over a closed period (12 years remaining as of the June 30, 2018 actuarial valuation). Changes in the Unfunded Actuarial Liability established after June 30, 2013 are amortized over separate 19-year closed periods, reflecting a five-year ramp-up and ramp-down in the amortization payment.

We have not performed a formal cash flow projection as described under Paragraph 41 of GASB Statement 67. However, Paragraph 43 allows for alternative methods to confirm the sufficiency of the Net Position if the evaluations “can be made with sufficient reliability without a separate projection of cash flows into and out of the pension plan...” In our professional judgment, adherence to the actuarial funding policy described above will result in the pension plan’s projected Fiduciary Net Position being greater than or equal to the benefit payments projected for each future period.

Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

SECTION IV – PROJECTION OF TOTAL PENSION LIABILITY

The Total Pension Liability (TPL) at the end of the measurement year, June 30, 2019, is measured as of a valuation date of June 30, 2018 and projected to June 30, 2019. The TPL reflects a change in the assumed timing of benefit payments.

There were no significant events during the projection period of which we are aware. Because the TPL shown in the prior report was measured as of June 30, 2017 and projected to June 30, 2018, the TPL from the prior report will not match the amounts measured as of June 30, 2018 that are shown in this exhibit.

The table below shows the projection of the TPL at discount rates equal to the rate used for disclosure and plus and minus one percent from the rate used for disclosure.

Table IV-1 Projection of Collective Total Pension Liability from Valuation to Measurement Date				
Discount Rate	6.00%	7.00%	8.00%	
Valuation Collective Total Pension Liability, 6/30/2018				
Actives	\$ 1,700,135,036	\$ 1,424,134,285	\$ 1,203,635,320	
Deferred Vested	188,761,151	157,336,321	133,068,740	
Retirees	2,555,479,859	2,306,656,801	2,097,592,551	
Total	\$ 4,444,376,046	\$ 3,888,127,407	\$ 3,434,296,611	
Service Cost	99,739,929	76,925,229	60,060,556	
Benefit Payments	(182,255,779)	(182,255,779)	(182,255,779)	
Interest	264,223,146	268,544,700	269,949,951	
Collective Total Pension Liability, 6/30/2019	\$ 4,626,083,342	\$ 4,051,341,557	\$ 3,582,051,339	

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

SECTION V – GASB 67 REPORTING INFORMATION

Note Disclosures

The table below shows the changes in the Total Pension Liability, the Plan Fiduciary Net Position (i.e., fair value of System assets), and the Net Pension Liability during the measurement year.

Table V-1 Change in Collective Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2018	\$ 3,866,167,644	\$ 3,002,018,510	\$ 864,149,134
Changes for the year:			
Service cost	76,925,229		76,925,229
Interest	267,007,517		267,007,517
Changes of benefits	0		0
Differences between expected and actual experience	23,496,946		23,496,946
Changes of assumptions	0		0
Contributions - employer		133,707,646	(133,707,646)
Contributions - member		26,604,850	(26,604,850)
Net investment income		224,842,952	(224,842,952)
Benefit payments	(182,255,779)	(182,255,779)	0
Administrative expense		(6,784,124)	6,784,124
Net changes	<u>185,173,913</u>	<u>196,115,545</u>	<u>(10,941,632)</u>
Balances at 6/30/2019	<u><u>\$ 4,051,341,557</u></u>	<u><u>\$ 3,198,134,055</u></u>	<u><u>\$ 853,207,502</u></u>

During the measurement year, the collective NPL decreased by approximately \$11 million. The service cost, interest cost, and recognition of administrative expense increased the collective NPL by approximately \$351 million while contributions and investment income decreased the collective NPL by approximately \$385 million.

There were no changes in benefits during the year. There were actuarial experience losses during the year of approximately \$23 million.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

SECTION V – GASB 67 REPORTING INFORMATION

Changes in the discount rate affect the measurement of the TPL. Lower discount rates produce a higher TPL and higher discount rates produce a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. The table below shows the sensitivity of the collective NPL to the discount rate.

Table V-2 Sensitivity of Collective Net Pension Liability to Changes in Discount Rate			
	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total Pension Liability	\$ 4,626,083,342	\$ 4,051,341,557	\$ 3,582,051,339
Plan Fiduciary Net Position	<u>3,198,134,055</u>	<u>3,198,134,055</u>	<u>3,198,134,055</u>
Collective Net Pension Liability	<u>\$ 1,427,949,287</u>	<u>\$ 853,207,502</u>	<u>\$ 383,917,284</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.1%	78.9%	89.3%

A one percent decrease in the discount rate increases the TPL by approximately 14% and increases the collective NPL by approximately 67%. A one percent increase in the discount rate decreases the TPL by approximately 12% and decreases the collective NPL by approximately 55%.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

SECTION V – GASB 67 REPORTING INFORMATION

Required Supplementary Information

The schedules of Required Supplementary Information generally start with information as of the implementation of GASB 67, and eventually will build up to 10 years of information. The schedule below shows the changes in collective NPL and related ratios required by GASB for the six years since implementation.

Table V-3 Schedule of Changes in Collective Net Pension Liability and Related Ratios						
	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014
<u>Total Pension Liability</u>						
Service cost (MOY)	\$ 76,925,229	\$ 77,631,214	\$ 77,134,575	\$ 71,218,683	\$ 70,056,133	\$ 66,696,324
Interest (includes interest on service cost)	267,007,517	256,693,981	250,123,638	241,733,937	231,804,221	220,238,560
Differences between expected and actual experience	23,496,946	(10,744,379)	(42,042,601)	(31,199,455)	(27,900,755)	0
Changes of assumptions	0	(29,738,803)	215,838,076	0	0	0
Benefit payments, including refunds of member contributions	(182,255,779)	(169,750,854)	(154,229,432)	(146,657,716)	(137,771,219)	(131,100,585)
Net change in total pension liability	\$ 185,173,913	\$ 124,091,159	\$ 346,824,256	\$ 135,095,449	\$ 136,188,380	\$ 155,834,299
Total pension liability - beginning	3,866,167,644	3,742,076,485	3,395,252,229	3,260,156,781	3,123,968,401	2,968,134,102
Total pension liability - ending	\$ 4,051,341,557	\$ 3,866,167,644	\$ 3,742,076,485	\$ 3,395,252,229	\$ 3,260,156,781	\$ 3,123,968,401
<u>Plan fiduciary net position</u>						
Contributions - employer	\$ 133,707,646	\$ 131,374,191	\$ 121,990,986	\$ 122,748,021	\$ 123,612,352	\$ 119,227,652
Contributions - member	26,604,850	22,533,426	20,319,910	18,311,646	16,622,138	14,514,010
Net investment income	224,842,952	223,314,534	264,010,886	32,800,406	20,840,287	328,852,388
Benefit payments, including refunds of member contributions	(182,255,779)	(169,750,854)	(154,229,432)	(146,657,716)	(137,771,219)	(131,100,585)
Administrative expense	(6,784,124)	(6,350,670)	(5,732,988)	(5,192,807)	(4,404,342)	(4,288,603)
Net change in plan fiduciary net position	\$ 196,115,545	\$ 201,120,626	\$ 246,359,361	\$ 22,009,549	\$ 18,899,215	\$ 327,204,862
Plan fiduciary net position - beginning	3,002,018,510	2,800,897,884	2,554,538,523	2,532,528,974	2,513,629,759	2,186,424,897
Plan fiduciary net position - ending	\$ 3,198,134,055	\$ 3,002,018,510	\$ 2,800,897,884	\$ 2,554,538,523	\$ 2,532,528,974	\$ 2,513,629,759
Net pension liability - ending	\$ 853,207,502	\$ 864,149,134	\$ 941,178,601	\$ 840,713,706	\$ 727,627,806	\$ 610,338,642
Plan fiduciary net position as a percentage of the total pension liability	78.94%	77.65%	74.85%	75.24%	77.68%	80.46%
Covered payroll	\$ 355,417,284	\$ 344,511,724	\$ 341,097,962	\$ 328,934,766	\$ 319,547,370	\$ 307,421,818
Net pension liability as a percentage of covered payroll	240.06%	250.83%	275.93%	255.59%	227.71%	198.53%

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

SECTION V – GASB 67 REPORTING INFORMATION

Because an Actuarially Determined Contribution (ADC) has been calculated historically, the full 10 years of information in the following schedule is required.

Table V-4 Schedule of Collective Employer Contributions										
	FYE 2019	FYE 2018	FYE 2017	FYE 2016	FYE 2015	FYE 2014	FYE 2013	FYE 2012	FYE 2011	FYE 2010
Actuarially Determined Contribution	\$ 133,707,646	\$ 131,374,191	\$ 121,990,986	\$ 122,748,021	\$ 123,612,352	\$ 119,227,652	\$ 110,582,703	\$ 108,764,094	\$ 94,436,686	\$ 84,647,133
Contributions in Relation to the										
Actuarially Determined Contribution	<u>133,707,646</u>	<u>131,374,191</u>	<u>121,990,986</u>	<u>122,748,021</u>	<u>123,612,352</u>	<u>119,227,652</u>	<u>110,582,703</u>	<u>108,764,094</u>	<u>94,436,686</u>	<u>84,647,133</u>
Contribution Deficiency/(Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll ¹	\$ 355,417,284	\$ 344,511,724	\$ 341,097,962	\$ 328,934,766	\$ 319,547,370	\$ 307,421,818	\$ 302,708,314	\$ 305,757,679	\$ 306,963,226	\$ 306,524,117
Contributions as a Percentage of Covered Payroll	37.62%	38.13%	35.76%	37.32%	38.68%	38.78%	36.53%	35.57%	30.76%	27.62%

¹ Covered Payroll was based on actual pensionable payroll provided by SBCERS for FYE 2015 and after. In years prior to FYE 2015, payroll was based on payroll reported in the actuarial valuation data.

The notes below summarize the key methods and assumptions used to determine the ADC for FYE 2019.

Notes to Schedule

Valuation Date	6/30/2017
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year
<u>Key Methods and Assumptions Used to Determine Contribution Rates:</u>	
Actuarial cost method	Entry Age
Asset valuation method	Market value
Amortization method	As of the June 30, 2013 actuarial valuation, the unfunded actuarial liability was amortized over a closed 17-year period as a level percentage of payroll, except for the Safety Plan 6 liability, which is amortized over a separate closed period (11 years as of 2017). Effective with the June 30, 2014 valuation, any additional sources of UAL due to actuarial gains and losses, assumptions changes, or method changes are amortized over a closed 19-year period, with a 5-year ramp up period at the beginning of the period, a 4-year ramp down at the end of the period, and 10 years of level payments as a percentage of payroll.
Discount rate	7.00%, net of investment expenses
Amortization growth rate	3.00%
Price inflation	3.00%
Salary increases	3.00% plus merit component based on employee classification and years of service
Mortality	Sex distinct CalPERS Healthy Annuitant, adjusted by 0.95 for males and 0.90 for females, with Generational improvement using Projection Scale MP-2016 from a base year of 2009.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2019 can be found in the June 30, 2017 actuarial valuation report.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

SECTION VI – GASB 68 COLLECTIVE INFORMATION

Employers that participate in SBCERS are required to implement GASB 68 for their first fiscal year that commenced after June 15, 2014. The amounts reported as of their fiscal year end (their reporting date) must be based on a measurement date up to 12 months prior to their reporting date. Assuming past practice continues, for employers with a reporting date of June 30, their 2019 disclosures will be based on the June 30, 2018 measurement dates. Similarly, their 2020 disclosures will be based on the June 30, 2019 measurement dates.

Because SBCERS is a cost-sharing multiple-employer pension plan, each employer participating in SBCERS must reflect a portion of the collective Net Pension Liability, Pension Expense and Deferred Outflows and Inflows in their financial statements. This section develops the collective amounts that are allocated to participating employers.

The impact of experience gains or losses and assumption changes on the TPL are recognized in expense over the average expected remaining service life of all active and inactive members of SBCERS. As of the measurement date, this recognition period was five years.

During the year, there was an experience loss of approximately \$23.5 million. Approximately \$4.7 million of that loss was recognized as an increase in collective pension expense in the current year and an identical amount will be recognized in each of the next four years. The resulting deferred outflow of resources is approximately \$18.8 million. Unrecognized gains from prior years were approximately \$51.9 million, of which \$22.4 million was recognized as a reduction in collective pension expense in the current year. The unrecognized experience gains from previous year's results in a deferred inflow of resources as of June 30, 2019 of approximately \$29.5 million.

During the year, there were no gains or losses due to new assumption changes. Unrecognized losses from prior period assumption changes were approximately \$129.5 million, of which \$43.2 million was recognized as an increase in collective pension expense in the current year resulting in a deferred outflow of resources as of June 30, 2019 of approximately \$86.3 million. Unrecognized gains from prior period assumption changes were approximately \$23.8 million, of which \$6.0 million was recognized as a reduction in collective pension expense in the current year resulting in a deferred inflow of resources as of June 30, 2019 of approximately \$17.8 million.

The impact of investment gains or losses is recognized over a period of five years. During the measurement year, there was an investment gain of approximately \$15.7 million. Approximately \$3.1 million of that gain was recognized in the current year and an identical amount will be recognized in each of the next four years. Unrecognized investment gains and losses from prior periods were a net loss of approximately \$22.3 million. However, \$42.1 million was recognized as an increase in collective pension expense in the current year due to the timing of prior gains and losses. The combination of unrecognized investment gains this year and unrecognized investment gains and losses from prior periods results in a collective deferred inflow of resources as of June 30, 2019 of approximately \$32.3 million.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

SECTION VI – GASB 68 COLLECTIVE INFORMATION

The table below summarizes the current balances of collective deferred outflows and deferred inflows of resources along with the net recognition over the next five years.

Table VI-1 Schedule of Collective Deferred Inflows and Outflows of Resources		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,797,557	\$ 29,503,559
Changes in assumptions	\$ 86,335,230	\$ 17,843,282
Net difference between projected and actual earnings on pension plan investments	\$ 0	\$ 32,333,119
Total	\$ 105,132,787	\$ 79,679,960
Amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:		
Measurement year ended June 30:		
2020	30,569,145	
2021	5,460,651	
2022	(12,138,335)	
2023	1,561,368	
2024	0	
Thereafter	\$ 0	

The collective annual pension expense recognized by the participating employers can be calculated two different ways. First, it is the change in the amounts reported on the participating employers' Statements of Net Position that relate to SBCERS and are not attributable to employer contributions. That is, it is the change in collective NPL plus the changes in collective deferred outflows and inflows plus participating employer contributions.

Alternatively, annual pension expense can be calculated by its individual components. While GASB does not require or suggest the organization of the individual components shown in the table on the following page, we believe it helps to understand the level and volatility of the collective pension expense.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

SECTION VI – GASB 68 COLLECTIVE INFORMATION

**Table VI-2
Calculation of Collective Pension Expense**

	Measurement Year Ending	
	2019	2018
Change in Net Pension Liability	\$ (10,941,632)	\$ (77,029,467)
Change in Deferred Outflows	46,696,332	80,304,011
Change in Deferred Inflows	4,007,920	12,157,984
Employer Contributions	133,707,646	131,374,191
Pension Expense	\$ 173,470,266	\$ 146,806,719
Pension Expense as % of Payroll	48.81%	42.61%
Operating Expenses		
Service cost	\$ 76,925,229	\$ 77,631,214
Employee contributions	(26,604,850)	(22,533,426)
Administrative expenses	6,784,124	6,350,670
Total	\$ 57,104,503	\$ 61,448,458
Financing Expenses		
Interest cost	\$ 267,007,517	\$ 256,693,981
Expected return on assets	(209,152,842)	(195,299,203)
Total	\$ 57,854,675	\$ 61,394,778
Changes		
Benefit changes	\$ 0	\$ 0
Recognition of assumption changes	37,219,855	37,219,855
Recognition of liability gains and losses	(17,678,049)	(22,377,438)
Recognition of investment gains and losses	38,969,282	9,121,066
Total	\$ 58,511,088	\$ 23,963,483
Pension Expense	\$ 173,470,266	\$ 146,806,719

First, there are components referred to as operating expenses. These are items directly attributable to the operation of the plan during the measurement year. Service cost less employee contributions represents the increase in employer-provided benefits attributable to the year, and administrative expenses are the cost of operating SBCERS for the year.

Second, there are the financing expenses: the interest on the Total Pension Liability less the expected return on assets. Since the discount rate is equal to the long-term expected return on assets, the financing expense is the interest on the Net Pension Liability, adjusted for cash flow timing.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

SECTION VI – GASB 68 COLLECTIVE INFORMATION

The final category is changes. This category will drive most of the volatility in pension expense from year to year. It includes any changes in benefits made during the year and the recognized amounts due to assumption changes, gains or losses on the TPL, and investment gains or losses.

The total collective pension expense increased from the prior year by about \$26.7 million. The recognition of the changes increased by approximately \$34.5 million, which accounts for the increase in pension expense.

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Proportionate Shares

GASB 68 requires that the proportionate share for each employer be determined based on the “employer’s projected long-term contribution effort to the pension ... as compared to the total projected long-term contribution effort of all employers ...” Although not required as part of SBCERS’s GASB 67 reporting requirements, SBCERS is following the advice of the AICPA and making a determination of each employer’s proportionate share, which will be reviewed by SBCERS’s auditor.

Proportionate shares for each participating employer are determined based on the ratio of each participating employer’s assigned Unfunded Liability amortization payments to SBCERS during the measurement year to the sum of the actual Unfunded Liability amortization payments for all participating employers. Separate amortization rates are used for General, Safety, and APCD employees. In Table VII-1a on the next page, each employer’s amortization share as of June 30, 2019 is determined by multiplying the actual pensionable payroll for the current fiscal year by the employer’s amortization rate from the most recent actuarial valuation report (the report as of June 30, 2018). The same methodology is used for calculating proportionate shares as of June 30, 2018.

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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

**Table VII-1a
Determination of Employers' Proportionate Share (as of June 30, 2019)**

Employer	Unfunded Liability Amortization Rate (from the June 30, 2018 Actuarial Valuation)			Pensionable Payroll			Amortization Share (Rate x Pay)	Proportionate Share
	Safety Plan 4 & 8	Safety Plan 6	General	Safety Plan 4 & 8	Safety Plan 6	General		
Santa Barbara County	29.85%	34.69%	20.71%	\$ 61,400,304	\$ 31,549,221	235,912,715	\$ 78,129,939	92.5287%
Courts			20.71%	0	0	15,348,112	3,178,594	3.7644%
Carp-Summerland Fire	29.85%		20.71%	3,502,200	0	487,757	1,146,421	1.3577%
Air Pollution Control			35.50%	0	0	3,306,424	1,173,780	1.3901%
SBC Assoc of Govts			20.71%	0	0	2,128,548	440,822	0.5221%
Santa Maria Cemetery			20.71%	0	0	386,901	80,127	0.0949%
Summerland Sanitary			20.71%	0	0	433,121	89,699	0.1062%
Mosq Vector Mgmt			20.71%	0	0	398,398	82,508	0.0977%
Goleta Cemetery			20.71%	0	0	273,492	56,640	0.0671%
Oak Hill Cemetery			20.71%	0	0	153,075	31,702	0.0375%
Carpinteria Cemetery			20.71%	0	0	137,016	28,376	0.0336%
Total				\$ 64,902,504	\$ 31,549,221	\$ 258,965,560	\$ 84,438,608	100.0000%

**Table VII-1b
Determination of Employers' Proportionate Share (as of June 30, 2018)**

Employer	Unfunded Liability Amortization Rate (from the June 30, 2017 Actuarial Valuation)			Pensionable Payroll			Amortization Share (Rate x Pay)	Proportionate Share
	Safety Plan 4 & 8	Safety Plan 6	General	Safety Plan 4 & 8	Safety Plan 6	General		
Santa Barbara County	28.32%	32.59%	19.49%	\$ 57,080,637	\$ 32,413,578	229,957,863	\$ 71,547,609	92.8477%
Courts			19.49%	0	0	14,709,868	2,866,953	3.7205%
Carp-Summerland Fire	28.32%		19.49%	3,291,990	0	367,850	1,003,986	1.3029%
Air Pollution Control			30.33%	0	0	3,105,717	941,964	1.2224%
SBC Assoc of Govts			19.49%	0	0	1,826,864	356,056	0.4621%
Santa Maria Cemetery			19.49%	0	0	382,916	74,630	0.0968%
Summerland Sanitary			19.49%	0	0	388,149	75,650	0.0982%
Mosq Vector Mgmt			19.49%	0	0	419,926	81,843	0.1062%
Goleta Cemetery			19.49%	0	0	280,764	54,721	0.0710%
Oak Hill Cemetery			19.49%	0	0	174,107	33,933	0.0440%
Carpinteria Cemetery			19.49%	0	0	111,496	21,731	0.0282%
Total				\$ 60,372,627	\$ 32,413,578	\$ 251,725,519	\$ 77,059,076	100.0000%

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below shows the proportionate share of the collective NPL (under three discount rates), the collective deferred outflows, the collective deferred inflows, and the collective pension expense allocated to each participating employer as of June 30, 2019.

Table VII-2 Schedule of Employers' Proportionate Share of Collective Amounts at June 30, 2019							
Employer	Proportionate Share	Share of NPL @ 6.00%	Share of NPL @ 7.00%	Share of NPL @ 8.00%	Share of Deferred Outflows	Share of Deferred Inflows	Pension Expense
Santa Barbara County	92.5287%	1,321,262,912	789,461,810	355,233,672	97,278,001	73,726,831	160,509,782
Courts	3.7644%	53,753,723	32,118,143	14,452,182	3,957,619	2,999,472	6,530,115
Carp-Summerland Fire	1.3577%	19,387,267	11,583,998	5,212,445	1,427,388	1,081,815	2,355,206
Air Pollution Control	1.3901%	19,849,923	11,860,437	5,336,834	1,461,451	1,107,631	2,411,410
SBC Assoc of Govts	0.5221%	7,455,323	4,454,596	2,004,432	548,898	416,009	905,688
Santa Maria Cemetery	0.0949%	1,355,124	809,694	364,338	99,771	75,616	164,623
Summerland Sanitary	0.1062%	1,516,482	906,106	407,720	111,651	84,620	184,225
Mosq Vector Mgmt	0.0977%	1,395,106	833,584	375,087	102,715	77,847	169,480
Goleta Cemetery	0.0671%	958,154	572,502	257,608	70,544	53,465	116,399
Oak Hill Cemetery	0.0375%	535,481	319,953	143,969	39,425	29,880	65,051
Carpinteria Cemetery	0.0336%	479,791	286,678	128,996	35,325	26,772	58,286
Total	100.0000%	\$ 1,427,949,287	\$ 853,207,502	\$ 383,917,284	\$ 105,132,787	\$ 79,679,960	\$ 173,470,266

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The proportionate share allocated to each individual employer will change on each measurement date. The net effect of the change in proportion on the share of the collective NPL, collective deferred outflows, and collective deferred inflows allocated to each employer becomes a deferred outflow or inflow for that employer and is recognized over the average future working life of SBCERS's active and inactive members (five years).

Similarly, the difference between each employer's actual contributions and the employer's proportionate share of collective employer contributions becomes a deferred outflow or inflow for that employer and is recognized over the average future working life of SBCERS's active and inactive members (five years).

The table below shows the change in proportion and the impact of that change in proportion on the proportionate share of the collective NPL, collective deferred outflows, and collective deferred inflows. It also shows any contribution differences.

Table VII-3 Schedule of Employers' Changes in Proportion and Contribution Differences									
Employer	Proportionate Shares		Impact of Change in Proportion				Contributions		
	6/30/2018	6/30/2019	Net Pension Liability	Deferred Outflows	Deferred Inflows	Net Effect	Actual	Proportionate Share	Difference
Santa Barbara County	92.8477%	92.5287%	\$ (2,756,636)	\$ (484,335)	\$ 241,394	\$ (2,513,695)	\$ 124,021,129	\$ 123,717,947	\$ 303,182
Courts	3.7205%	3.7644%	379,361	66,653	(33,220)	345,929	5,110,330	5,033,291	77,039
Carp-Summerland Fire	1.3029%	1.3577%	473,554	83,202	(41,468)	431,820	1,922,350	1,815,349	107,001
Air Pollution Control	1.2224%	1.3901%	1,449,178	254,617	(126,902)	1,321,463	1,390,935	1,858,670	(467,735)
SBC Assoc of Govts	0.4621%	0.5221%	518,489	91,097	(45,403)	472,795	664,756	698,088	(33,332)
Santa Maria Cemetery	0.0968%	0.0949%	(16,419)	(2,885)	1,438	(14,972)	132,050	126,889	5,161
Summerland Sanitary	0.0982%	0.1062%	69,132	12,146	(6,054)	63,039	141,648	141,998	(350)
Mosq Vector Mgmt	0.1062%	0.0977%	(73,453)	(12,905)	6,432	(66,979)	140,377	130,632	9,745
Goleta Cemetery	0.0710%	0.0671%	(33,702)	(5,921)	2,951	(30,732)	89,591	89,718	(127)
Oak Hill Cemetery	0.0440%	0.0375%	(56,170)	(9,869)	4,919	(51,219)	49,575	50,140	(565)
Carpinteria Cemetery	0.0282%	0.0336%	46,664	8,199	(4,086)	42,552	44,905	44,926	(21)
Total	100.0000%	100.0000%	\$ 0	\$ 0	\$ 0	\$ 0	\$ 133,707,646	\$ 133,707,646	\$ 0

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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The table below shows the reconciliation of deferred outflows and inflows due to proportion changes for each participating employer from the prior measurement date to the current measurement date.

**Table VII-4
Reconciliation of Deferred Outflows and Inflows Due to Proportion Change**

Employer	Deferred Outflows				Deferred Inflows			
	6/30/2018	Current Year Net Effect	Recognition	6/30/2019	6/30/2018	Current Year Net Effect	Recognition	6/30/2019
Santa Barbara County	\$ 1,677,105	\$ 0	\$ 734,772	\$ 942,333	\$ (1,667,052)	\$ (2,513,695)	\$ (933,298)	\$ (3,247,449)
Courts	1,643,389	345,929	480,033	1,509,284	(1,303,886)	0	(615,269)	(688,617)
Carp-Summerland Fire	371,447	431,820	179,226	624,041	(522,374)	0	(218,806)	(303,568)
Air Pollution Control	371,264	1,321,463	451,134	1,241,593	(438,938)	0	(114,667)	(324,271)
SBC Assoc of Govts	13,179	472,795	101,877	384,098	(228,618)	0	(72,127)	(156,491)
Santa Maria Cemetery	70,457	0	17,614	52,843	(35,118)	(14,972)	(23,889)	(26,201)
Summerland Sanitary	72,312	63,039	30,686	104,665	(15,452)	0	(10,975)	(4,478)
Mosq Vector Mgmt	58,616	0	35,903	22,713	(33,054)	(66,979)	(24,938)	(75,095)
Goleta Cemetery	19,215	0	6,089	13,126	(17,522)	(30,732)	(12,977)	(35,277)
Oak Hill Cemetery	18,154	0	6,463	11,691	(6,004)	(51,219)	(13,246)	(43,978)
Carpinteria Cemetery	2,080	42,552	10,590	34,041	(49,203)	0	(14,197)	(35,006)
Total	\$ 4,317,218	\$ 2,677,597	\$ 2,054,386	\$ 4,940,429	\$ (4,317,221)	\$ (2,677,597)	\$ (2,054,389)	\$ (4,940,429)

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The table below shows the reconciliation of deferred outflows and inflows due to proportion changes for each participating employer from the prior measurement date to the current measurement date.

Table VII-5 Reconciliation of Deferred Outflows and Inflows Due to Contribution Differences									
Employer	Deferred Outflows				Deferred Inflows				
	6/30/2018	Current Year Difference	Recognition	6/30/2019	6/30/2018	Current Year Difference	Recognition	6/30/2019	
Santa Barbara County	\$ 487,075	\$ 303,182	\$ 251,026	\$ 539,231	\$ (23,756)	\$ 0	\$ (7,919)	\$ (15,837)	
Courts	177,274	77,039	78,992	175,321	(118,751)	0	(30,851)	(87,900)	
Carp-Summerland Fire	114,523	107,001	54,412	167,112	0	0	0	0	
Air Pollution Control	0	0	0	0	(654,729)	(467,735)	(344,441)	(778,023)	
SBC Assoc of Govts	29,319	0	10,483	18,836	(2,949)	(33,332)	(8,103)	(28,178)	
Santa Maria Cemetery	1,077	5,161	1,391	4,847	(3,738)	0	(1,879)	(1,859)	
Summerland Sanitary	1,689	0	563	1,126	(9,887)	(350)	(4,576)	(5,661)	
Mosq Vector Mgmt	11,085	9,745	5,568	15,262	(378)	0	(378)	0	
Goleta Cemetery	0	0	0	0	(4,573)	(127)	(1,899)	(2,801)	
Oak Hill Cemetery	889	0	303	586	(2,796)	(565)	(1,770)	(1,592)	
Carpinteria Cemetery	0	0	0	0	(1,375)	(21)	(927)	(469)	
Total	\$ 822,931	\$ 502,129	\$ 402,739	\$ 922,321	\$ (822,933)	\$ (502,129)	\$ (402,741)	\$ (922,321)	

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The table below summarizes the deferred outflows allocated to each employer for experience, assumption changes, investment returns, proportion changes, and contribution differences.

Table VII-6 Schedule of Employers' Deferred Outflows at June 30, 2019						
Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference
Santa Barbara County	92.5287%	\$ 17,393,135	\$ 79,884,866	\$ 0	\$ 942,333	\$ 539,231
Courts	3.7644%	707,615	3,250,003	0	1,509,284	175,321
Carp-Summerland Fire	1.3577%	255,214	1,172,173	0	624,041	167,112
Air Pollution Control	1.3901%	261,305	1,200,146	0	1,241,593	0
SBC Assoc of Govts	0.5221%	98,142	450,756	0	384,098	18,836
Santa Maria Cemetery	0.0949%	17,839	81,932	0	52,843	4,847
Summerland Sanitary	0.1062%	19,963	91,688	0	104,665	1,126
Mosq Vector Mgmt	0.0977%	18,365	84,350	0	22,713	15,262
Goleta Cemetery	0.0671%	12,613	57,931	0	13,126	0
Oak Hill Cemetery	0.0375%	7,049	32,376	0	11,691	586
Carpinteria Cemetery	0.0336%	6,316	29,009	0	34,041	0
Total	100.0000%	\$ 18,797,557	\$ 86,335,230	\$ 0	\$ 4,940,429	\$ 922,321

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The table below summarizes the deferred inflows allocated to each employer for experience, assumption changes, investment returns, proportion changes, and contribution differences.

Table VII-7 Schedule of Employers' Deferred Inflows at June 30, 2019						
Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference
Santa Barbara County	92.5287%	\$ 27,299,259	\$ 16,510,157	\$ 29,917,415	\$ 3,247,449	\$ 15,837
Courts	3.7644%	1,110,632	671,693	1,217,148	688,617	87,900
Carp-Summerland Fire	1.3577%	400,570	242,258	438,987	303,568	0
Air Pollution Control	1.3901%	410,129	248,039	449,463	324,271	778,023
SBC Assoc of Govts	0.5221%	154,038	93,160	168,811	156,491	28,178
Santa Maria Cemetery	0.0949%	27,999	16,933	30,684	26,201	1,859
Summerland Sanitary	0.1062%	31,333	18,950	34,338	4,478	5,661
Mosq Vector Mgmt	0.0977%	28,825	17,433	31,589	75,095	0
Goleta Cemetery	0.0671%	19,797	11,973	21,696	35,277	2,801
Oak Hill Cemetery	0.0375%	11,064	6,691	12,125	43,978	1,592
Carpinteria Cemetery	0.0336%	9,913	5,995	10,864	35,006	469
Total	100.0000%	\$ 29,503,559	\$ 17,843,282	\$ 32,333,119	\$ 4,940,429	\$ 922,321

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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The table below shows the net amount of deferred outflows and inflows to be recognized by each participating employer in each of the next five years and the total thereafter.

Table VII-8							
Schedule of Employers' Recognition of Deferred Outflows and Inflows at June 30, 2019							
Employer	Recognition for Measurement Year Ending						Thereafter
	2020	2021	2022	2023	2024		
Santa Barbara County	\$ 28,015,896	\$ 4,749,151	\$ (11,998,209)	\$ 1,002,611	\$ 0	\$ 0	
Courts	1,308,998	404,661	9,205	143,370	0	0	
Carp-Summerland Fire	448,621	199,228	56,347	128,963	0	0	
Air Pollution Control	462,278	7,977	(169,586)	192,450	0	0	
SBC Assoc of Govts	202,935	63,853	(11,678)	96,045	0	0	
Santa Maria Cemetery	32,943	17,530	3,793	(480)	0	0	
Summerland Sanitary	58,948	33,313	16,227	14,196	0	0	
Mosq Vector Mgmt	18,067	(5,470)	(14,929)	(9,921)	0	0	
Goleta Cemetery	13,502	(5,004)	(11,247)	(5,124)	0	0	
Oak Hill Cemetery	2,602	(3,974)	(12,605)	(9,771)	0	0	
Carpinteria Cemetery	4,356	(614)	(5,654)	9,031	0	0	
Total	\$ 30,569,145	\$ 5,460,651	\$ (12,138,335)	\$ 1,561,368	\$ 0	\$ 0	

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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The table below shows the calculation of the pension expense for each participating employer. The calculation is shown first as the sum of the proportionate share of the collective pension expense and the amounts recognized for proportion changes and contribution differences. The right side of the table shows the calculation as the sum of the changes in NPL and deferred amounts not attributable to contributions.

Table VII-9 Schedule of Employers' Pension Expense for the Measurement Year Ending June 30, 2019									
Employer	Collective Pension Expense	Change in Proportion	Contribution Difference	Employer Pension Expense	Change in Employer			Employer Contributions	Employer Pension Expense
					Net Pension Liability	Deferred Outflows	Deferred Inflows		
Santa Barbara County	\$ 160,509,782	\$ (198,526)	\$ 243,107	\$ 160,554,363	\$ (12,880,786)	\$ 44,374,459	\$ 5,039,561	\$ 124,021,129	\$ 160,554,363
Courts	6,530,115	(135,236)	48,141	6,443,019	(32,525)	1,827,241	(462,026)	5,110,330	6,443,019
Carp-Summerland Fire	2,355,206	(39,580)	54,412	2,370,037	324,999	245,610	(122,922)	1,922,350	2,370,037
Air Pollution Control	2,411,410	336,467	(344,441)	2,403,436	1,297,078	(475,821)	191,243	1,390,935	2,403,436
SBC Assoc of Govts	905,688	29,749	2,380	937,817	461,363	(207,732)	19,430	664,756	937,817
Santa Maria Cemetery	164,623	(6,274)	(487)	157,862	(26,802)	61,044	(8,430)	132,050	157,862
Summerland Sanitary	184,225	19,711	(4,013)	199,924	57,512	5,655	(4,891)	141,648	199,924
Mosq Vector Mgmt	169,480	10,965	5,190	185,636	(84,143)	90,254	39,147	140,377	185,636
Goleta Cemetery	116,399	(6,888)	(1,899)	107,612	(41,044)	43,343	15,721	89,591	107,612
Oak Hill Cemetery	65,051	(6,783)	(1,466)	56,803	(60,273)	34,147	33,353	49,575	56,803
Carpinteria Cemetery	58,286	(3,607)	(927)	53,752	42,988	(24,470)	(9,670)	44,905	53,752
Total	\$ 173,470,266	\$ (3)	\$ (2)	\$ 173,470,261	\$ (10,941,632)	\$ 45,973,731	\$ 4,730,517	\$ 133,707,646	\$ 173,470,261

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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SECTION VII – GASB 68 REPORTING INFORMATION FOR PARTICIPATING EMPLOYERS

The table below summarizes the information needed for each employer's schedules of required supplementary information.

Table VII-10 Schedule of Employers' RSI Information at June 30, 2019									
Employer	Proportionate Shares	Proportionate Share of NPL	Covered Payroll	Share of NPL as a % of Payroll	Plan Fiduciary Net Position as % of TPL	Contractually Required Contribution	Actual Contributions	Contribution Deficiency	Contributions as a % of Payroll
Santa Barbara County	92.5287%	\$ 789,461,810	\$ 328,862,240	240.1%	78.9%	\$ 124,021,129	\$ 124,021,129	\$ 0	37.7%
Courts	3.7644%	32,118,143	15,348,112	209.3%	78.9%	5,110,330	5,110,330	0	33.3%
Carp-Summerland Fire	1.3577%	11,583,998	3,989,957	290.3%	78.9%	1,922,350	1,922,350	0	48.2%
Air Pollution Control	1.3901%	11,860,437	3,306,424	358.7%	78.9%	1,390,935	1,390,935	0	42.1%
SBC Assoc of Govts	0.5221%	4,454,596	2,128,548	209.3%	78.9%	664,756	664,756	0	31.2%
Santa Maria Cemetery	0.0949%	809,694	386,901	209.3%	78.9%	132,050	132,050	0	34.1%
Summerland Sanitary	0.1062%	906,106	433,121	209.2%	78.9%	141,648	141,648	0	32.7%
Mosq Vector Mgmt	0.0977%	833,584	398,398	209.2%	78.9%	140,377	140,377	0	35.2%
Goleta Cemetery	0.0671%	572,502	273,492	209.3%	78.9%	89,591	89,591	0	32.8%
Oak Hill Cemetery	0.0375%	319,953	153,075	209.0%	78.9%	49,575	49,575	0	32.4%
Carpinteria Cemetery	0.0336%	286,678	137,016	209.2%	78.9%	44,905	44,905	0	32.8%
Total	100.0000%	\$ 853,207,502	\$ 355,417,284	240.1%	78.9%	\$ 133,707,646	\$ 133,707,646	\$ 0	37.6%

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
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APPENDIX A – MEMBERSHIP INFORMATION

SBCERS Membership – Active Members as of June 30, 2018

General Members	Count	Annual Salary¹	Average Age	Average Monthly Salary¹	Average Vesting Service
Plan 2	7	\$422,000	59.3	\$5,024	29.7
Plan 5A	436	\$36,619,000	56.1	\$6,999	26.8
Plan 5B	314	\$34,764,000	49.1	\$9,226	14.4
Plan 5C	1,256	\$88,784,000	48.4	\$5,891	14.5
Plan 7	108	\$9,613,000	41.8	\$7,417	9.2
PEPRA	<u>1,091</u>	<u>\$76,264,000</u>	38.4	\$5,825	2.5
Total	3,212	\$246,464,000	45.9	\$6,394	12.0
APCD Members					
Plan 1	8	\$734,000	58.0	\$7,646	28.6
Plan 2	12	\$1,165,000	45.3	\$8,090	11.2
PEPRA	<u>10</u>	<u>\$687,000</u>	34.2	\$5,725	2.6
Total	30	\$2,586,000	45.0	\$7,183	13.0
Safety Members					
Plan 4A	41	\$5,385,000	52.9	\$10,945	22.5
Plan 4B	13	\$1,656,000	50.5	\$10,615	22.2
Plan 4C	302	\$30,940,000	44.2	\$8,538	15.4
Plan 6A	38	\$4,814,000	52.6	\$10,557	28.4
Plan 6B	256	\$25,710,000	43.7	\$8,369	14.6
PEPRA	<u>279</u>	<u>\$23,003,000</u>	32.8	\$6,871	2.4
Total	929	\$91,509,000	41.5	\$8,209	12.2
Total Active Members	4,171	\$340,559,000	44.9	\$6,804	12.0

¹Based on salary data provided in the June 30, 2018 valuation data for FYE 2018.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

APPENDIX A – MEMBERSHIP INFORMATION

SBCERS Membership – Deferred Vested Members as of June 30, 2018

General Members	Count	Average Age
Plan 2	18	57.6
Plan 5A	169	55.6
Plan 5B	455	49.4
Plan 5C	348	44.9
Plan 7	45	40.2
PEPRA	298	37.7
Total	1333	46.2
APCD Members		
Plan 1	8	56.3
Plan 2	12	38.4
PEPRA	4	33.0
Total	24	43.5
Safety Members		
Plan 4A	5	47.2
Plan 4B	47	47.8
Plan 4C	39	43.1
Plan 6A	27	53.6
Plan 6B	64	38.8
PEPRA	50	33.1
Total	232	41.8
Total Inactive	1,589	45.5

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

APPENDIX A – MEMBERSHIP INFORMATION

SBCERS Membership – Retired Members as of June 30, 2018

	Count	Monthly Allowances	Average Monthly Benefit
General Members			
Healthy	2,815	\$7,818,000	\$2,777
Disabled	130	300,000	2,308
Beneficiaries	403	625,000	1,551
Total	3,348	\$8,743,000	\$2,611
APCD Members			
Healthy	56	\$182,000	\$3,250
Disabled	0	0	0
Beneficiaries	6	13,000	2,167
Total	62	\$195,000	\$3,145
Safety Members			
Healthy	812	\$4,629,000	\$5,701
Disabled	137	557,000	4,066
Beneficiaries	160	441,000	2,756
Total	1,109	\$5,627,000	\$5,074
Total Retired Members	4,519	\$14,565,000	\$3,223

Please refer to the June 30, 2018 actuarial valuation report for a more complete summary of the data.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of June 30, 2019 is provided below, including any assumptions that differ from those used in the June 30, 2018 actuarial valuation. Please refer to the June 30, 2018 actuarial valuation report for a complete description of all other assumptions. The assumptions used in this report and the June 30, 2018 actuarial valuation report reflect the results of the Experience Analysis covering the period July 1, 2013 through June 30, 2016.

Key Actuarial Assumptions

Expected Return on Assets 7.00 percent net of investment expenses.

Administrative Expenses Administrative expenses are assumed to be \$5.5 million for the fiscal year ending June 30, 2019, to be split between employees and employers based on their share of the overall contributions. Administrative expenses are assumed to increase by the assumed wage inflation of 3.00% each year.

Basic COLA The cost of living as measured by the Consumer Price Index (CPI) will increase at the rate of 2.75% per year.

Post Retirement COLA Benefits are assumed to increase after retirement at the rate of 2.60% per year for General Plans 5, Safety Plans 4, 6 and 8 (PEPRA), and APCD Plans 1 and 2; 1.90% per year for General Plans 7 and APCD Plan 8 (PEPRA), and 0% per year for General Plan 2.

For General Plan 8 (PEPRA), benefits are assumed to increase at the rate of 1.90% per year if their employer had implemented General Plan 7 prior to January 1, 2013. Otherwise, benefits are assumed to increase at the rate of 2.60% per year.

APPENDIX B – ACTUARIAL ASSUMPTIONS AND METHODS

Contribution Allocation Procedure

The contribution allocation procedure primarily consists of an actuarial cost method, an asset smoothing method, and an amortization method as described below.

1. Actuarial Cost Method

The actuarial valuation is prepared using the entry age actuarial cost method (CERL 31453.5). Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit (until maximum retirement age). For members who transferred between plans, entry age is based on original entry into the system. The normal cost for the Plan is based on the sum of the individual normal costs for each member (Individual Entry Age Method).

2. Asset Valuation Method

As of June 30, 2014, the market value of assets is used to determine the System's UAL. The actuarial value of assets is no longer applicable.

3. Amortization Method

The UAL (or Surplus Funding) is amortized as a percentage of the projected salaries of present and future members of SBCERS. Effective with the June 30, 2013 valuation, the UAL as of June 30, 2013 is amortized over a closed 17-year period, except for the additional UAL attributable to the creation of Safety Plan 6, which is being amortized over a separate closed period (10 years as of June 30, 2018). Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses, assumption changes, or method changes is amortized over a closed 19-year period, with five-year ramp up period at the beginning of the period, a four-year ramp down at the end of the period, and ten years of level payments as a percentage of payroll. This method is a type of direct rate smoothing method.

4. Contributions

The employer (County or District) contributes to the retirement fund a percentage of the total compensation provided for all members based on an actuarial investigation, valuation, and recommendation of the actuary.

**SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM
GASB 67 AND 68 REPORTING AS OF JUNE 30, 2019**

APPENDIX C ---SUMMARY OF PLAN PROVISIONS

The plan provisions are the same as those summarized in the June 30, 2018 actuarial valuation report.

APPENDIX D – GLOSSARY OF TERMS

1. Actuarially Determined Contribution

A target or recommended contribution for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

2. Actuarial Valuation Date

The date as of which an actuarial valuation is performed. This date may be up to 24 months prior to the measurement date and up to 30 months prior to the employer's reporting date.

3. Deferred Inflow of Resources

An acquisition of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience gains on the Total Pension Liability, assumption changes reducing the Total Pension Liability, or investment gains that are recognized in future reporting periods.

4. Deferred Outflow of Resources

A consumption of net assets by a government employer that is applicable to a future reporting period. In the context of GASB 68, these are experience losses on the Total Pension Liability, assumption changes increasing the Total Pension Liability, or investment losses that are recognized in future reporting periods.

5. Entry Age Actuarial Cost Method

The actuarial cost method required for GASB 67 and 68 calculations. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages. The portion of this actuarial present value allocated to a valuation year is called the Service Cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future service costs is called the Total Pension Liability.

6. Measurement Date

The date as of which the Total Pension Liability and Plan Fiduciary Net Position are measured. The Total Pension Liability may be projected from the Actuarial Valuation Date to the Measurement Date. The Measurement Date must be the same as the Reporting Date for the plan.

APPENDIX D – GLOSSARY OF TERMS

7. Net Pension Liability

The liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit pension plan. It is calculated as the Total Pension Liability less the Plan Fiduciary Net Position. The Net Pension Liability is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling SBCERS's benefit obligations in the event of a plan termination or other similar action. However, it is an appropriate measure for assessing the need for or the amount of future contributions.

8. Plan Fiduciary Net Position

The fair or market value of assets.

9. Reporting Date

The last day of the plan or employer's fiscal year.

10. Service Cost

The portion of the actuarial present value of projected benefit payments that is attributed to the current period of employee service in conformity with the requirements of GASB 67 and 68. The Service Cost is the normal cost calculated under the entry age actuarial cost method.

11. Total Pension Liability

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB 67 and 68. The Total Pension Liability is the actuarial liability calculated under the entry age actuarial cost method. This measure generally is not appropriate for estimating the cost to settle the Plan's liabilities.



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